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Letter Ruling 79-47: Gratuity Charges for Meals

November 8, 1979

In your letter of October 31, 1979 you request a ruling with respect to the application of the sales tax on meals to the gratuity charges made for meals by ***** (the “Club”).

The Club is a non-profit organization operated for the benefit of its members. It is exempt from federal income taxation under Section 501(c)(7).

The Club furnishes meals to members and their guests which are charged to members; cash payments are not accepted. The charge slips separately state the price of the meals, the sales tax and the gratuity charge, which is an amount equal to fifteen percent of the price of the meal.

The Club does not retain any portion of the gratuity charges. The charges are totaled daily and are posted in equal amounts to the accounts of all servers who worked that day. Each week the Club manager distributes cash to each server for his share of the prior week’s gratuities.

Massachusetts General Laws Chapter 64H, Section 1(6) defines ‘gross receipts’ as the total sales price received by vendors as consideration for retail sales.

Based on the foregoing it is ruled that the sales tax will be computed on the price of the meals and that the gratuity charges are not “received” by the Club within the meaning of Chapter 64H, Section 1(6) and are not subject to sales tax.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers

Commissioner of Revenue

LJH/RSF/jmcd

LR 79-47

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